



*cutting through complexity*

KPMG INTERNATIONAL

# Transparency Report

Supplement to the  
2011 KPMG International  
Annual Review

[kpmg.com](http://kpmg.com)





**KPMG**

## Foreword

The KPMG International Transparency Report reflects our network's unwavering commitment to audit quality, which is integral to our business and culture. Our 2011 report is built around the components of our Audit Quality Framework, which we rolled out this year for use by all the member firms across our global network to ensure consistent application of quality principles and drivers.

The Audit Quality Framework starts with tone at the top. It is essential that our member firms' leadership clearly demonstrate and communicate their commitment to audit quality, ethics and integrity through their day to day behaviors. The Framework's focus on the skills and behaviors needed by our people to perform at the highest levels complements KPMG's system of quality control. Our system is designed to drive and deliver independent, unbiased advice and opinions upon which investors can rely, meeting the global standards set by KPMG International as well as the requirements of professional standards and local laws and regulations.

Our comprehensive, focused approach to quality is reflected in the training of our people and the processes we have designed and implemented, as well as in our systems and controls. Our system of quality control includes processes to monitor performance and identify when changes need to be made to promote sustained audit quality and continuous improvement.

Reliable financial information and high quality audits have always been important, but never more so than in the current environment of global economic turbulence, complexity and uncertainty. Our commitment to audit quality promotes confidence in our member firm clients' financial reporting and contributes to stable capital markets. You will find our report provides useful insight into how we continually strive to enhance audit quality.

I welcome any questions you may have about the 2011 Transparency Report and our approach to audit quality.

Michael Andrew  
Chairman, KPMG International



Throughout this Report, "we," "KPMG," "us," and "our" refer to the network of independent member firms operating under the KPMG name and affiliated with KPMG International, or to one or more of these firms. KPMG International provides no client services.

Transparency Reports, where published, are available on the relevant member firms' Web sites.





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# Structure and governance

## Our business

KPMG is a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations.

KPMG International Cooperative (“KPMG International”) is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated.

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

## Legal structure

Our structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by the member firms of high-quality Audit, Tax, and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Unless otherwise stated, the words “member firm” or “KPMG member firm” when used in this transparency report include:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e., similar to shareholders, albeit that KPMG International has no share capital and, therefore, only has members, not shareholders)



- Those entities (“sub-licensees”) that are not members of KPMG International as a matter of Swiss law but that have still entered into legal agreements with KPMG International and also an entity that is a “member.” Such agreements mean that sub-licensees are member firms of the KPMG network. Generally, the rights and obligations of a sub-licensee as a KPMG member firm are exactly the same as if it had been a member. In particular, all rights and obligations of member firms that are described in this document are rights and obligations of sub-licensees unless otherwise specifically stated. In addition, the member that is a party to the sub-licensee’s agreement with KPMG International is also responsible to KPMG International (but not to any other person or entity) for the sub-licensee’s compliance with its obligations as a KPMG member firm.
- Those entities that are owned, managed, and controlled by an entity that is a member or a sub-licensee. The respective member or sub-licensee is responsible to KPMG International for such controlled entity’s compliance with obligations to KPMG International as if it were a member or sub-licensee.

### **Name and ownership**

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

Member firms are generally locally owned and managed.<sup>1</sup> Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm’s obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

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<sup>1</sup> Certain firms in countries which are part of KPMG Europe LLP are ultimately commonly owned by individuals within those countries.

**Governance Committee**

- Assessing, and making recommendations to improve, the governance and management structure of KPMG International
- Recommending policies and regulations in respect of member firm governance to the Board for approval

**Audit, Finance, and Investments Committee**

- Overseeing KPMG International's financial reporting and budget
- Overseeing any KPMG International investments

**Compensation and Nomination Committee**

- Overseeing succession planning and recommending Global Board nominees and the process for the appointment of a chairman
- Approving the remuneration of the chairman and deputy chairman and overseeing their annual performance reviews

**Quality & Risk Management Committee**

- Reviewing and evaluating KPMG International's quality, risk and compliance policies, processes, and activities
- Promoting a culture that is committed to the highest standard of ethics and compliance

**Professional Indemnity Insurance Committee**

- Recommending the professional indemnity insurance program in which member firms are obliged to participate to the Board for approval

**Board Process and Evaluation Committee**

- Working with the chairman to develop agendas for Board meetings
- Developing and implementing annual Board evaluation process

**Responsibilities and obligations of member firms**

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work.

Member firms are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

KPMG member firms operate in the countries/territories listed in Appendix A.1.

**Governance structure**

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Executive Team.

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 55 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms and ratifies the chairman's appointment of the deputy chairman and members of the Global Executive Team.

The Board includes the chairman, the deputy chairman, the chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)); and a number of senior partners of member firms. One of the Board members is elected as the lead director by those Board members who are not also members of the Global Executive Team ("nonexecutive" members). A key role of the lead director is to act as liaison between the chairman and the "nonexecutive" Board members. Set out in Appendix A.2 is the list of Board members, presented as of October 1, 2011.

The Board is supported in its oversight and governance responsibilities by several committees, including a Governance Committee; an Audit, Finance, and Investments Committee; a Compensation and Nomination Committee; a Quality & Risk Management Committee; a Professional Indemnity Insurance Committee; and a Board Process and Evaluation Committee. The lead director nominates the chairs and members of Board committees for approval by the Board.

Key activities of the committees are set out on the previous page.

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the chairman and includes the deputy chairman, the chief operating officer, global practice heads, regional leaders, and a number of senior partners of member firms. Set out in Appendix A.2 is the list of Global Executive Team members, presented as of October 1, 2011.

The Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas. In particular, the Global Quality & Risk Management Steering Group operates under delegated authority from the Global Executive Team. The role of the Global Quality & Risk Management Steering Group is outlined in more detail in [Leadership responsibilities for quality and risk management](#).

Each member firm is part of one of three regions (the Americas, ASPAC, and EMA). Appendix A.1 lists the countries/territories within each region. Each region has a Regional Board comprising a regional chairman, regional chief operating or executive officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in implementation of KPMG International's policies and processes within the region.

### **Leadership responsibilities for quality and risk management**

While we stress that all professionals are responsible for quality and risk management, the following entities and individuals have leadership responsibilities.

#### *Global Quality & Risk Management Steering Group*

The Global Quality & Risk Management Steering Group, chaired by the global vice chair – Quality & Risk Management, is responsible for establishing and monitoring KPMG's system of quality control and risk management.

As part of this role, it approves quality and risk management policies and processes that member firms are required to adopt. This steering group includes the senior business and risk leaders of Audit, Advisory, and Tax, and area Quality & Risk Management leaders. The steering group reports to the Quality & Risk Management Committee of the Global Board.

#### *Global Quality & Risk Management operational groups*

A number of operational groups support Global Quality & Risk Management leadership. These consist of experienced professionals who are responsible for coordinating the development of KPMG International policy, process, and guidance in relation to quality, risk management, and compliance, including ethics and independence. These groups also monitor compliance by member firms with KPMG International quality and risk management policies and procedures through coordination of the three integrated review programs: Quality Performance, Risk Compliance, and the Global Compliance review.

#### *Area Quality & Risk Management leaders*

KPMG International has a network of area Quality & Risk Management leaders (AQRMLs), reporting to the global vice chair – Quality & Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML is allocated an area which covers one or more member firms (typically several). Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms.

Each member firm is part of one of three regions. The regional Risk Management partner—each of whom is also an AQRML—also provides support to member firms in his or her respective region for quality and risk management purposes.

#### *National Risk Management partners*

Each member firm has a national Risk Management partner (RMP). He or she reports directly to the senior partner and provides quality and risk management leadership in his or her respective firm. Working with the respective business leaders, the RMP:

- drives adherence to policies, procedures, and professional standards
- implements KPMG International quality and risk policies and processes
- adds jurisdiction-specific quality controls where required.

The RMP is also responsible for compliance activities within the member firm.

#### *The Audit, Tax, and Advisory functions*

The Global Audit, Tax, and Advisory Steering Groups work with Global Quality & Risk Management to optimize the quality assurance, risk management, and monitoring procedures within their respective function.

### **Professional indemnity insurance**

A substantial level of insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a mutual that is available to all KPMG member firms.





# System of quality control

KPMG International has policies of quality control that apply to all member firms. These policies are based on professional standards issued by the International Ethics Standards Board for Accountants (IESBA), including International Standard on Quality Control 1, relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

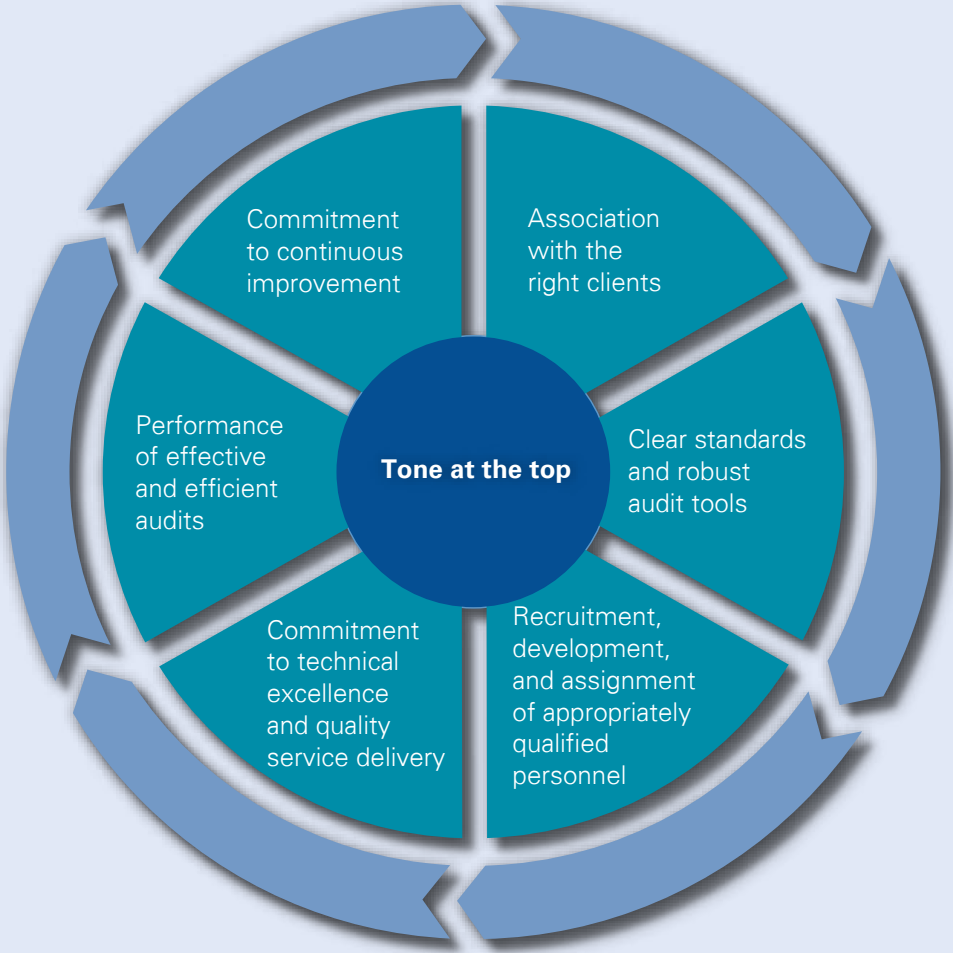
Individual member firms implement KPMG International policies and procedures and adopt additional systems of quality controls that are designed to meet the rules and standards issued by their own national regulator and other relevant regulators as well as local legal and other requirements.

KPMG International's policies reflect individual quality control elements to help member firms' personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to member firm policies and associated procedures in carrying out their day-to-day activities.

While many KPMG quality control processes are cross-functional, implemented by quality and risk management and apply equally to tax and advisory work, the focus of this section is on explaining what we do to achieve the highest quality in the audits supporting opinions issued by KPMG member firms. In this section, we therefore focus on our system of audit quality control.

At KPMG, audit quality is not just about reaching the right opinion, but also how we reach that opinion. It is about the processes, thought, and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent, compliant with relevant legal and professional requirements, and offering insight and impartial advice to our clients.



In order to deliver an appropriate and independent opinion, we have our global audit methodology (see Audit methodology and tools for further information on our methodology). We also have our Audit Quality Framework which we use to describe, focus on, and enhance audit quality for the benefit of all our stakeholders. In particular, the Framework highlights what we believe drives audit quality and how we address these.

The Audit Quality Framework identifies seven drivers of audit quality.

- Tone at the top
- Association with the right clients
- Clear standards and robust audit tools
- Recruitment, development and assignment of appropriately qualified professionals
- Commitment to technical excellence and quality service delivery
- Performance of effective and efficient audits
- Commitment to continuous improvement

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across our entire network. All of the other key aspects of our system of quality control then operate within a virtuous circle, with each driver of the model reinforcing the others. Each of these key drivers of our quality control system is described in more detail in the following sections of this report.



## Tone at the top

KPMG leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity.

KPMG's tone at the top provides a clear focus on quality through:

- culture, values, and code of conduct – clearly stated and demonstrated in the way we work
- focused and well-articulated strategy – incorporating quality at all levels
- standard set by our member firms' leadership
- governance structure and clear lines of responsibility for quality – skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core value—above all, we act with integrity. Our core values are further described in Appendix A.3.

This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

KPMG International promulgates a global code of conduct which incorporates the core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels and in all firms. Member firms are required to adopt the global code of conduct or to promulgate their own code that is consistent with the global code.

A KPMG International Hotline is available for KPMG personnel, clients, and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, those who work for KPMG International, or the senior leadership of a KPMG member firm.

Tone at the top sits at the core of the Audit Quality Framework and ensures the right behaviors permeate our entire network.

### **Leadership responsibilities for quality**

KPMG International policies and procedures promoting quality are strengthened by the involvement of experienced member firm leadership, up to and including the senior partner of each member firm. These leaders emphasize the importance of quality control, risk management, and compliance, and stress that all KPMG member firm personnel act with integrity to deliver quality services.

KPMG International supports member firm quality through a number of international groups and programs. The groups that support audit quality are set out below. Similar structures exist for Advisory and Tax.

#### *The Global Audit Steering Group*

The Global Audit Steering Group (GASG) is responsible for implementing KPMG's international strategy in the audit function, and is responsible for maintaining audit quality. GASG approves KPMG International policies and processes that relate to Audit. The GASG works closely with the Global Quality & Risk Management Steering Group to address quality and risk matters related to audit. It is chaired by the global head of Audit and includes representatives from certain member firms as well as the head of the Global Service Center and a representative from Global Audit Quality & Risk Management.

#### *International Standards Group*

The International Standards Group (ISG) is a KPMG member firm that performs activities for the network relating to the interpretation of International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), and other standards issued by International Auditing and Assurance Standards Board, including the development of timely accounting and auditing guidance distributed to KPMG member firms in the form of International Standards Alerts and the International Standards Reports Manual. ISG provides support to member firms' audit functions, to promote the high-quality and consistent application of IFRS and ISA.

*Global Services Center*

The Global Services Center (GSC) is responsible for the development of methodology and technology based tools for audit. The audit group at the GSC comprises teams of professionals brought together to develop KPMG’s global audit methodology and to support KPMG engagement teams around the world with new products and tools. GSC is responsible for developing, maintaining, and deploying the KPMG International audit methodology, tools, and training used by KPMG member firms. The tools and applications developed by the GSC comply with professional standards and are used to facilitate effective and efficient audits, with an emphasis on global consistency.

**Association with the right clients**

**Acceptance and continuance of clients and engagements**

Rigorous client and engagement acceptance and continuance policies and processes are vital to the ability of KPMG member firms to provide high-quality professional services and to protect KPMG’s reputation and support its brand.

Accordingly, KPMG International has established policies and procedures which our member firms have implemented in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

**Prospective client and engagement evaluation process**

Before accepting a client, the member firm undertakes an evaluation of the prospective client. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management, and beneficial owners. A key focus is on the integrity of management at a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be “high risk,” the RMP is involved in improving the evaluation.

Each prospective engagement is also evaluated. The prospective engagement partner evaluates a prospective engagement in consultation with other senior member firm personnel and review by quality and risk management leadership as required. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel™, our global conflicts and independence checking system) as well as a range of factors specific to the type of engagement, including for audit services, the competence of the client’s financial management team.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional procedures including a review of any non-audit services provided to the client and of other relevant relationships.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are documented and resolved in consultation with other parties.



A member firm declines a prospective client or engagement if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other risk issues that cannot be appropriately mitigated.

The Non-audit services and Conflicts of interest sections provide more information on our independence and conflict checking policies.

### Continuance process

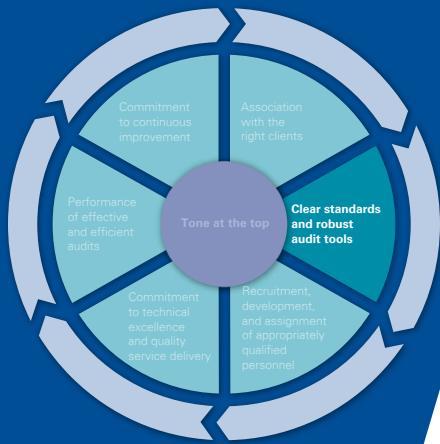
An annual re-evaluation of all audit clients is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long-running engagements are also subject to re-evaluation.

This re-evaluation serves two purposes. Firstly the member firm will decline to act for any client where the member firm is unable to deliver to our expected level of quality or if the member firm considered that it would not be appropriate to continue to be associated with the client. More commonly, member firms use the re-evaluation to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this would include the assignment of professionals or the need to involve additional specialists on the audit).

### Client portfolio management

Member firm leadership allocates engagement partners that have the appropriate competence, capabilities, time, and authority to perform the role.





## Clear standards and robust audit tools

Professional practice, risk management, and quality control are the responsibilities of every KPMG professional. We expect our professionals to adhere to the clear policies and procedures (including independence policies) we set, and we provide a range of tools to support them in meeting these expectations. The policies and procedures we set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

### Audit methodology and tools

We dedicate significant resources to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the GSC, is based on the requirements of ISA. The methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISA where KPMG believes these enhance the quality of our audits. KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

Our audit methodology is supported by eAudit, KPMG's electronic audit tool, which provides auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits.

eAudit's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing efficiency and delivering value to our audit clients. The key activities within the eAudit workflow are:

#### Engagement setup

- Engagement acceptance and scoping
- Team selection and timetable

#### Risk assessment

- Understand the entity and identify and assess risks
- Plan for involvement of specialists and others including, experts, internal audit, service organizations and other auditors
- Evaluate design and implementation of selected controls
- Risk assessment and planning discussion
- Determine audit strategy and planned audit approach

#### Testing

- Test operating effectiveness of selected controls
- Plan and perform substantive procedures

#### Completion

- Update risk assessment
- Perform completion procedures, including overall review of financial statements
- Perform overall evaluation, including evaluation of significant findings and issues
- Communicate with those charged with governance (e.g., the audit committee)
- Form the audit opinion

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional skepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate and also requires use of certain specialists in the core audit engagement team when certain criteria are met.

KAM includes the implementation of quality control procedures at the engagement level that provides us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory, and KPMG requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality & Risk Management manual that is applicable to all KPMG member firms, functions and personnel. The provisions of International Standard on Quality Control 1 are addressed through KAM and through member firm's implementation of the Global Quality & Risk Management manual.

## Independence, integrity, ethics, and objectivity

### Overview

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially).

Each member firm has a designated ethics and independence partner. In addition, there is a core team of specialists led by the head of Global Independence to help ensure that robust and consistent independence policies and procedures are applied across member firms and that these are updated and communicated as required. These policies and procedures cover areas such as personal independence, business relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services. A global annual training program is provided to member firms for tailoring as required before delivery to their personnel. If applicable, amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications. Member firms are required to confirm that they have implemented changes specified in the e-mail alerts.

To help ensure ethical conduct, including integrity and independence, each member firm, and its personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

KPMG member firms are required to have and to communicate documented disciplinary procedures that apply to individuals who breach independence rules, incorporating incremental sanctions reflecting the seriousness of any violations.



### ***Personal independence***

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

KPMG professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial business or family interests that are restricted for independence purposes. Member firms use a Web-based independence tracking system to assist KPMG professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and client-facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Member firms monitor compliance with this requirement through performing regular audits of a sample of partners and managers.

Any professional providing services to an audit client is also required to notify the Ethics and Independence partner if he or she intends to enter into employment negotiations with an audit client.

### ***Independence training and confirmations***

KPMG member firms are required to provide all relevant personnel with annual independence training appropriate to their grade and function and to provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon commencement of partnership or employment at a member firm. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with and understanding of the member firm's independence policies.

### ***Audit partner rotation***

Member firm partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG International rotation policies are consistent with the IESBA Code of Ethics and require member firms to comply with any stricter applicable rotation requirements. Member firms monitor the rotation of partners, which also assists them to develop transition plans that help them to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

### ***Non-audit services***

KPMG member firms have policies as to the scope of services that can be provided to audit clients which are consistent with IESBA principles and locally applicable regulations. Additionally, KPMG policies require the consideration by the lead audit engagement partner of the threats arising from the provision of non-audit services and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients and their affiliates in the system. Every engagement entered into by a KPMG member firm is required to be included in the system prior to starting work. The system then enables lead audit engagement partners for these restricted entities to review and approve, or deny, any proposed service wherever in the world the service is proposed to be provided and wherever the member firm is based.

Each individual member firm has a policy for admitting and compensating the partners in that firm. To maintain auditor independence, audit partners' remuneration must not include any compensation based on their success in selling non-audit services to their audit clients.

### ***Fee dependency***

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the operating firm expressing the audit opinion. In particular, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, a senior partner from another member firm would be appointed as the engagement quality control (EQC) reviewer. Also, this would be disclosed to those charged with governance at the audit client.

### ***Business relationships/suppliers***

KPMG member firms are required to have policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and locally applicable independence requirements. Compliance with these policies and procedures is reviewed periodically.

### ***Conflicts of interest***

Conflicts of interest may prevent a member firm from accepting or continuing an engagement. Sentinel is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the resolution of all matters is documented. An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise or be perceived to arise so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients and making arrangements to monitor the operation of such dividers.

**Anti-bribery and corruption**

Member firms are required to provide anti-bribery and corruption training to all client-facing partners and employees as well as certain other member firm personnel. Training covering compliance with laws, regulations, and professional standards is required to be completed by client-facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining a KPMG member firm. In addition, certain non-client-facing personnel who work in finance, procurement, or sales and marketing departments, and who are at the manager level and above, are also required to participate in anti-bribery training.

**Recruitment, development and assignment of appropriately qualified personnel**

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the client. This requires recruitment, development, promotion, and retention of our professionals and robust capacity and resource management processes.

**Recruitment**

All candidates for professional positions submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks.

Upon joining a member firm, new personnel are required to participate in a comprehensive on-boarding program in their member firm, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as a partner or employee with a member firm.

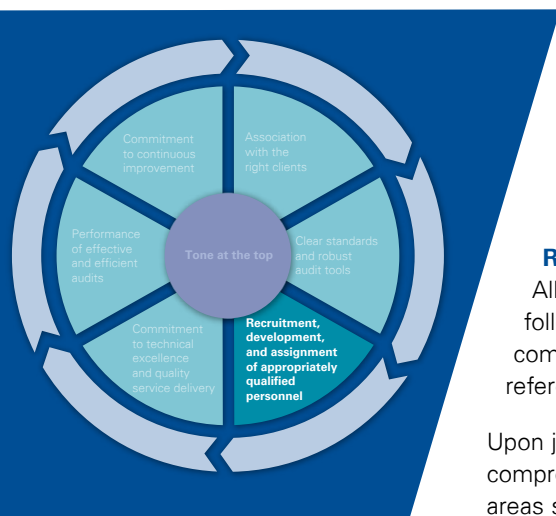
**Personal development**

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see Technical training).

In relation to audit, we provide opportunities for professionals to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, stretch assignments, and country rotational and global mobility opportunities.

**Performance evaluation and compensation**

All professionals, including partners, undergo annual goal-setting and performance evaluations. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG skills and behaviors for his or her level, and adherence to the KPMG values. These evaluations are conducted by performance managers and partners who are in a position to assess their performance. This is achieved through our global performance management process, which is supported by a Web-based application.





KPMG is committed to the career development of its people. To support this, the Global Performance, People and Culture group has designed a new behavioral capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximizing their performance, and reaching their full potential.

#### *Compensation and promotion*

All member firms are encouraged to have compensation and promotion policies that are clear, simple, and linked to the performance evaluation process so that partners and employees know what is expected of them and what they can expect to receive in return. Our policies do not allow audit partners to be compensated for the sale of non-audit services to their audit clients.

#### *Partner admissions*

Each member firm has a process for admission to the partnership that is rigorous and thorough, involving appropriate members of the member firm's leadership. All member firms are required to use criteria for admission to the partnership that are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. Criteria are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles to help achieve quality of hire in our partner admissions.

#### **Assignment**

Member firms have procedures in place to assign both the engagement partners and professionals to a specific engagement by evaluating their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the process for allocating particular engagement partners to clients.

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities to perform audit engagements in accordance with KAM, professional standards, and applicable legal and regulatory requirements. This may include involving KPMG's local and global specialists.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- an understanding of professional standards and legal and regulatory standards requirements
- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment
- an understanding of quality control policies and procedures.

### Commitment to technical excellence and quality service delivery

Member firms provide all member firm professionals with the technical training and support they need, including access to networks of specialists and professional practice departments (DPP), either to provide resources to the engagement team or for consultation.

At the same time, we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.

#### Technical training

In addition to personal development discussed at Personal development, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

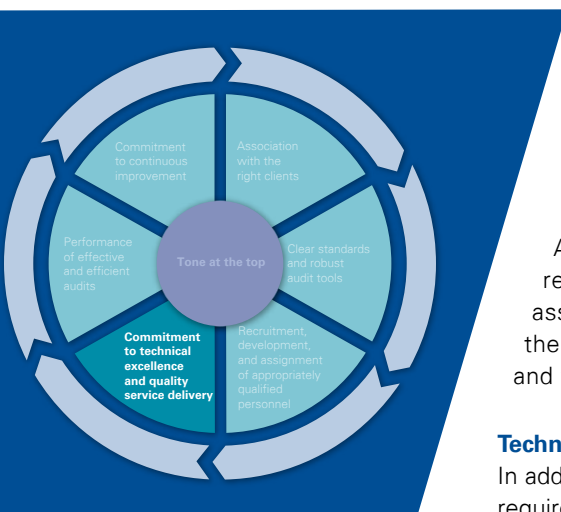
Audit Learning and Development steering groups at the global, regional, and local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning, and virtual classroom. Audit Learning and Development teams work with subject experts and leaders from GSC, ISG, and DPP to ensure the training is of the highest quality, relevant to performance on the job, and is delivered on a timely basis.

#### Accreditation and licensing

All KPMG professionals comply with applicable professional license rules in the jurisdiction where they practice.

Each member firm is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework.

In addition, within the network, specific accreditation requirements apply for partners and managers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework. Similar policies apply for US GAAP/Auditing standards/SEC engagements performed outside the US. These require that the partner, manager, and EOC reviewer have sufficient training and experience in the relevant reporting framework.



Audit professionals are also required to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA requirements). Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

### **Access to specialist networks**

Our engagement teams have access to a network of local and global specialists in KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g., Information Technology, Tax, Treasury, Pensions, Forensic) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

### **Consultation**

Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Member firms provide appropriate consultation support through professional practice resources that often include a DPP or equivalent, which is made up of senior professionals with extensive experience of audit, reporting, and risk management.

Technical support available to member firms includes the ISG as well as (for work on SEC foreign registrants) the US Capital Markets Group.

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues, and develop global guidance on a timely basis. The ISG has a network of contacts and holds regular calls both in relation to auditing and IFRS to update country professional practice representatives.

### **Developing business understanding and industry knowledge**

A key part of engagement quality is having a detailed understanding of the client's business and industry.

For significant industries, global audit sector leads are appointed to support the provision of relevant industry information to audit professionals. A key element of this industry information is the provision of industry knowledge within eAuditIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available which provide general and business information in respect of particular industries as well as a summary of the industry knowledge provided in eAuditIT.



## Performance of effective and efficient audits

We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. These behaviors are discussed below.

### KPMG Audit Process

As set out in the section above, our audit workflow is enabled in eAudit. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement
- critical assessment of audit evidence
- exercise of professional judgment and professional skepticism
- ongoing mentoring and on-the-job coaching, supervision and review
- appropriately supported and documented conclusions
- if relevant, appropriate involvement of the EQC reviewer
- reporting
- insightful, open, and honest two-way communication with those charged with governance
- client confidentiality, information security, and data privacy.

#### *Timely partner and manager involvement*

To help identify and respond to the significant audit risks for each year's audit, the engagement team requires an understanding of the client's business, its financial position, and the environment in which it operates. The engagement partner is a key participant in the planning meetings, reviews key audit documentation—especially documentation relating to significant risks and key audit judgments—and is responsible for the final audit opinion. The engagement manager assists the partner in these responsibilities and in the day-to-day liaison with the client and team.

Involvement and leadership from the engagement partner early in the audit process helps set the appropriate scope and tone for the audit and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters important to the engagement, including critical areas of judgment, significant risks, and other areas the engagement partner considers important.

#### *Critical assessment of audit evidence with emphasis on professional skepticism*

We consider all audit evidence obtained during the course of the audit, including consideration of conflicting or missing evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We recognize that

audit evidence obtained from external sources tends to be more persuasive. The analysis of the audit evidence requires each of our team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

Professional skepticism involves a questioning mind and alertness to inconsistencies in evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. Our Audit Quality Framework emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments, which has skepticism at its heart and recognizes the need to consider alternatives and to consider conflicting as well as confirming evidence.

#### *Ongoing mentoring and on-the-job coaching, supervision, and review*

We understand that skills build over time and through exposure to different experiences. To invest in the building of the skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Supervision during an audit involves tracking the progress of the engagement and the team, including:

- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- addressing any significant matters arising during the engagement, considering their significances, and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective supervision is timely review of the work performed so that significant matters are promptly identified and addressed.

#### *Appropriately supported and documented conclusions*

Audit documentation records the performed audit procedures, evidence obtained, and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

Our methodology recognizes that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is usually 60 days from the date of the audit report.

Each KPMG member firm has a formal document retention policy in accordance with the local laws and regulations that govern the period we retain audit documentation and other client-specific records.

#### *Appropriate involvement of the EQC reviewer*

EQC reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the audit team. They are experienced audit professionals who are independent of the engagement team. They provide an objective review of the more critical and judgmental elements of the audit.

An EQC reviewer is required to be appointed for the audits of all listed entities and of other engagements identified as high public profile or high risk. Before the member firm issues its audit report, these individuals review:

- selected audit documentation and client communications
- the appropriateness of the financial statements and related disclosures
- the significant judgments the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved.

We are continually seeking to strengthen and improve the role that the EQC review plays in audits, as this is a fundamental part of the system of audit quality control. We have taken a number of actions over the last year to reinforce this, including:

- issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers
- incorporating specific procedures in eAudit to facilitate effective reviews.

#### *Reporting*

Auditing standards and applicable legislation or regulation largely dictate the format and content of the audit report that includes an opinion on the fair presentation in all material respects of the client's financial statements. Experienced auditors arrive at all audit opinions, after involvement in and review of the work performed by the audit team.

We provide extensive reporting guidance and technical support to audit partners in preparing audit reports, where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

#### *Insightful, open, and honest two-way communication with those charged with governance*

Two-way communications with those charged with governance at our clients are key to audit quality. Often the audit committee will be the group identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee. We deliver insights such as our assessment of the appropriateness of significant accounting

practices, including accounting policies, accounting estimates and financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems and controls when such deficiencies come to our attention during the course of the audit and any uncorrected misstatements. We share our industry experience to encourage discussion and debate with the members of the audit committee.

*Focus on effectiveness of group audits*

The conduct of group audits in one of the key aspects of our role and our KPMG International audit methodology covers this in detail. We work effectively with component auditors. The group audit engagement partner is required to evaluate the competence of component auditors, whether they are KPMG member firms or not, as part of the engagement acceptance process. Additional guidance has been issued in this area and heightened attention is being given to key risk areas for group audits, for example, emerging markets and business environments that may be subject to heightened fraud risks.

*Client confidentiality, information security, and data privacy*

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, training, and the annual affidavit/confirmation process, that all professionals are required to complete.

Each member firm is required to have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA rules as well as other applicable regulatory bodies' standards and regulations.

KPMG member firms have clear policies on information security that cover a wide range of areas. Data privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG personnel.

**Commitment to continuous improvement**

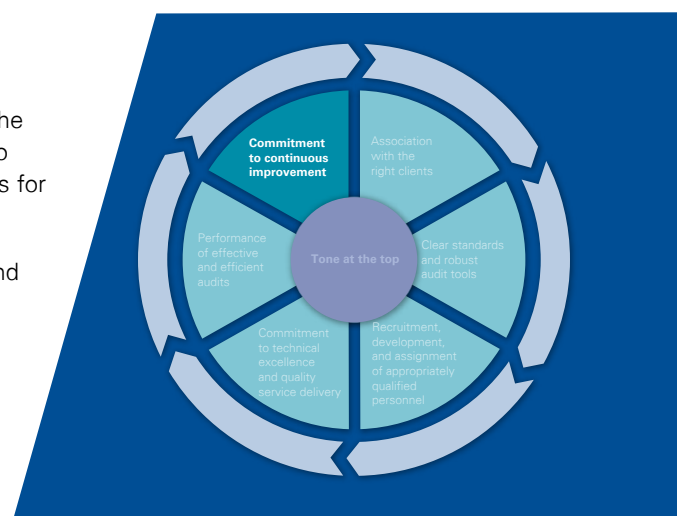
We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback, and understand our opportunities for improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

**Monitoring**

*Internal monitoring*

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and important KPMG International policies and procedures. The results and lessons from the programs are communicated within each member firm, and the overall results and lessons from the programs are considered at regional and global levels.



Our monitoring procedures involve ongoing consideration of:

- the relevance and adequacy of KPMG’s policies and procedures
- the appropriateness of KPMG’s guidance materials
- the effectiveness of training and other professional development activities
- compliance with applicable laws and regulation and member firms’ standards, policies, and procedures.

We use two formal internal inspection programs conducted annually across the Audit, Tax, and Advisory functions, the Quality Performance Review Program (QPR) and the Risk Compliance Program (RCP).

Additionally, all member firms are covered over a three-year period by cross-functional Global Compliance Reviews (GCRs) performed by reviewers in the Global Compliance Group who are external to the member firm. These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (see Legal structure for further details).

#### *Quality Performance Reviews (QPRs)*

The international QPR Program is the cornerstone of our efforts to monitor engagement quality and one of our primary means of ensuring that member firms are collectively and consistently meeting both KPMG International’s requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax, and Advisory functions and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in a three-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a lead reviewer from outside the member firm, and are monitored regionally and globally. Remedial action plans for all significant deficiencies noted are required at an engagement and member firm level.

Lead audit engagement partners are notified of less than satisfactory engagement ratings on their respective cross-border and/or global audit accounts and subsidiaries. Additionally, lead audit engagement partners of global audit accounts are notified where a subsidiary of their global account is audited by a member firm where quality issues have been identified during the Audit QPR.

Area Quality & Risk Management leaders have a monitoring role within Audit QPR in 2011 to enhance the consistency of evaluations between member firms.

#### *Risk Compliance Program (RCP)*

The RCP is a member firm’s annual self-assessment program. The objectives of the RCP are to monitor, assess, and document firmwide compliance with the system of quality control established through KPMG International’s quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

### *Global Compliance Review (GCR) program*

GCRs are performed by reviewers external to the member firm led by the Global Compliance Group and are carried out over a three-year cycle. These reviews focus on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm's RCP). In the event that a GCR identifies significant issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs require action plans to address identified issues, with time lines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions are addressing deficiencies with the objective of continuous improvement.

### *External monitoring*

KPMG member firms may undergo a review of their quality systems and procedures, including a sample of their audits of listed and large private clients by independent accounting regulators or professional accounting bodies. Where private or public reports are issued as a result of such regulatory or professional body reviews, KPMG member firms consider the findings and recommendations and implement actions to address deficiencies and strengthen policies and procedures as appropriate.

## **Client feedback**

In addition to internal and external monitoring of quality, the majority of member firms operate a formal program where they actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that they receive from this program is formally considered by the firms and individual client service teams to ensure that they continually learn and improve the levels of client service that they deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

## **Monitoring of complaints**

Member firms are expected to have robust procedures in place for addressing complaints received relating to the quality of our work.

## **Interaction with regulators**

At an international level, KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues at a network level.



# Financial information

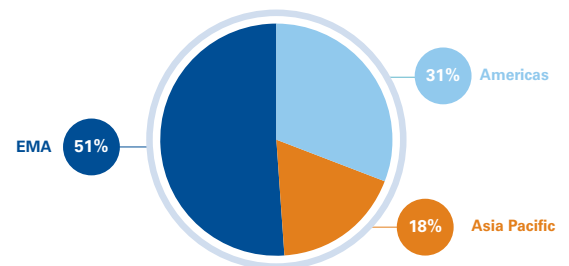
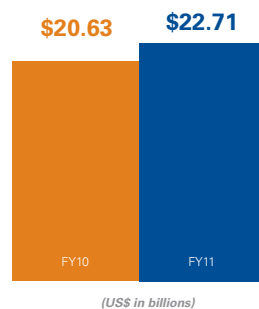
Combined revenues for KPMG member firms increased to US\$22.71 billion for the fiscal year ended September 30, 2011, versus US\$20.63 billion for the prior fiscal year.

KPMG's combined revenues for fiscal year 2011 represent growth of 10.1 percent in US dollars and growth of 6.2 percent in local currency terms.

The financial information represents combined information of the separate KPMG member firms that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any revenue.

## Revenues

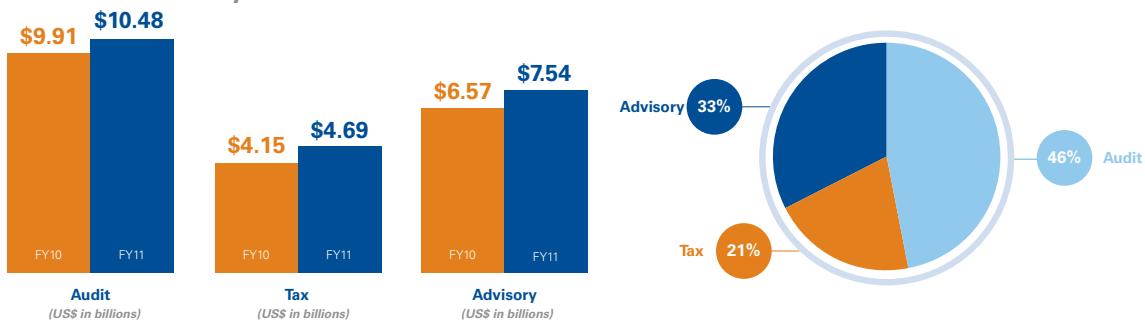
### Global total revenues



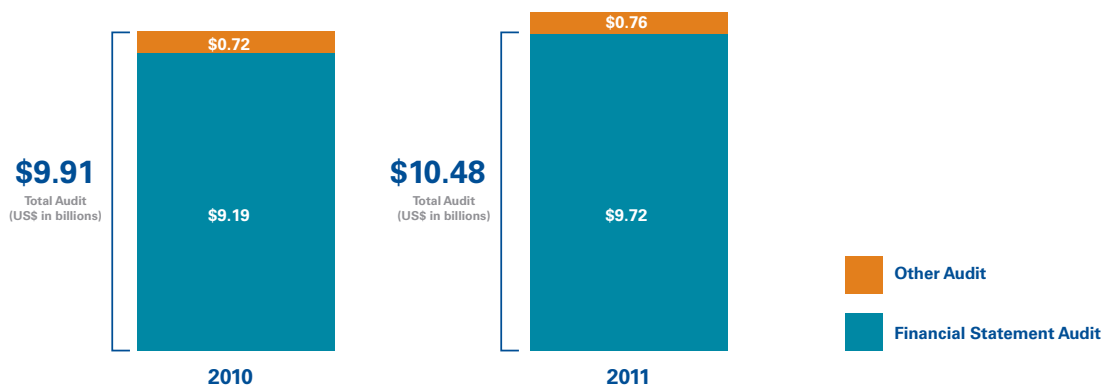


## Revenues

### Global revenues by function

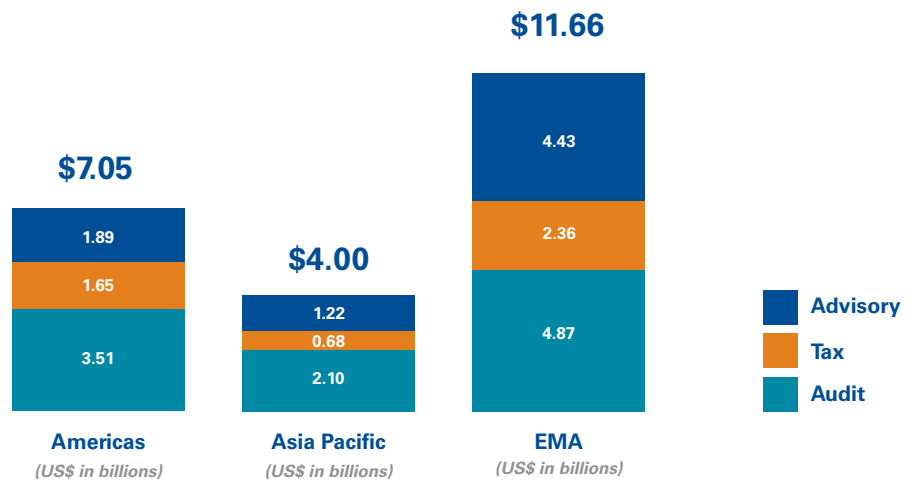


### Audit revenues



## Revenues

Global revenues by function and region



## Revenues

Global revenues by industry

Line of Business	FY11	FY10	Local Growth	US\$ Growth
Financial Services	6.31	5.61	9.0%	12.5%
Industrial Markets	5.54	4.98	7.6%	11.2%
Consumer Markets	2.77	2.52	6.2%	9.9%
Information, Communications, and Entertainment	3.77	3.51	3.8%	7.4%
Infrastructure, Government, and Healthcare	4.32	4.01	4.1%	7.7%
<b>Total</b>	<b>22.71</b>	<b>20.63</b>	<b>6.2%</b>	<b>10.1%</b>





# Appendices

## A.1 Operating jurisdiction

### List of countries/territories in which KPMG member firms operate

KPMG member firms can be found in 152 countries. Collectively, they employ more than 145,000 people across a range of disciplines.

To contact KPMG International, please use the following address:  
[transparencyreport@kpmg.com](mailto:transparencyreport@kpmg.com).

KPMG member firms operate in the countries/territories listed below:

#### Americas

Argentina  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica  
Dominican Republic  
Ecuador  
El Salvador  
Guatemala  
Honduras  
Israel  
Mexico  
Nicaragua  
Panama  
Peru  
United States of America  
Uruguay  
Venezuela

#### ASPAC

Australia  
Brunei Darussalam  
Cambodia  
China  
Cook Islands  
Fiji Islands  
Indonesia  
Japan  
Korea (Republic of)  
Laos  
Malaysia  
Mongolia  
New Zealand  
Papua New Guinea  
Philippines  
Singapore  
Taiwan  
Thailand  
Vietnam

#### EMA

Algeria  
Angola  
Austria  
Cameroon  
Congo (Democratic Republic of the)  
Congo (Republic of the)  
Cyprus  
Denmark  
Finland  
France  
French Polynesia  
Greece  
Iceland  
India  
Ireland  
Italy  
Ivory Coast  
Monaco  
Morocco  
New Caledonia  
Portugal  
Senegal

Sweden  
Togo  
Tunisia

#### KPMG Europe LLP

Andorra<sup>+</sup>  
Armenia<sup>+</sup>  
Azerbaijan  
Belgium<sup>\*,\*</sup>  
Georgia  
Germany<sup>#</sup>  
Jordan<sup>†</sup>  
Kazakhstan  
Kuwait<sup>†</sup>  
Kyrgyzstan  
Liechtenstein  
Luxembourg  
Netherlands<sup>\*</sup>  
Norway<sup>&</sup>  
Russia<sup>†</sup>  
Saudi Arabia<sup>†</sup>  
Spain  
Switzerland  
Turkey<sup>†</sup>  
Ukraine<sup>†</sup>  
United Kingdom

#### Africa subregion

Botswana  
Ghana  
Kenya  
Malawi  
Mauritius  
Mozambique  
Namibia  
Nigeria  
Rwanda  
Sierra Leone  
South Africa  
Swaziland  
Tanzania  
Uganda  
Zambia  
Zimbabwe

#### Central and Eastern Europe (CEE) subregion

Albania  
Belarus  
Bosnia and Herzegovina  
Bulgaria  
Croatia  
Czech Republic

Estonia  
Hungary  
Latvia  
Lithuania  
Macedonia  
Moldova  
Montenegro  
Poland  
Romania  
Serbia  
Slovakia  
Slovenia

#### Middle East and South Asia subregion

Afghanistan  
Bahrain  
Bangladesh  
Egypt  
Lebanon  
Maldives  
Oman  
Pakistan  
Qatar  
Sri Lanka  
Syria

United Arab Emirates  
Yemen

#### The Offshore Group subregion

Anguilla  
Antigua and Barbuda  
Aruba  
Bahamas  
Barbados  
Bermuda  
British Virgin Islands  
Cayman Islands  
Curaçao  
Gibraltar  
Guernsey  
Isle of Man  
Jamaica  
Jersey  
Malta  
St. Lucia  
St. Maarten  
St. Vincent and the Grenadines  
Surinam  
Trinidad and Tobago  
Turks and Caicos Islands

<sup>+</sup> Certain entities in these jurisdictions are not wholly owned by KPMG Europe LLP.

<sup>\*</sup> KPMG Europe LLP has no legal ownership of Klynveld Peat Marwick Goerdeler – Bedrijfsrevisoren/Klynveld Peat Marwick Goerdeler – Réviseurs d'Entreprises, which provides audit services in Belgium, but has a call option.

<sup>#</sup> KPMG Rechtsanwalts-gesellschaft mbH, which provides legal services in Germany, is owned by certain members of the Board of KPMG AG Wirtschaftsprüfungsgesellschaft.

<sup>†</sup> Netherlands does not include the KPMG Tax practice in that country.

<sup>††</sup> KPMG Europe LLP has no legal ownership of some of the entities that are part of the Turkish firm but has a call option. KPMG İş ve Yönetim Danışmanlığı Anonim Şirketi is fully owned by KPMG Europe LLP.

<sup>†</sup> KPMG Europe LLP has no legal ownership of the trading entities in these jurisdictions but has a call option.

<sup>&</sup> KPMG Holding AS, which is owned by KPMG Europe LLP, has no legal ownership of KPMG Law Advokatfirma DA, which provides legal services in Norway, but has a call option.

## A.2 Details of Global Board and Global Executive Team members

Global Board members as of October 1, 2011 are:

<p><b>Michael Andrew</b> Chairman</p> <p>Member of the Governance Committee and member of the Board Process and Evaluation Committee</p>	<p><b>Frantisek Dostalek</b> CEE</p> <p>Member of the Governance Committee</p>
<p><b>Alan Buckle</b> Deputy Chairman</p>	<p><b>Stephen Yiu</b> China</p> <p>Member of the Quality &amp; Risk Management Committee</p>
<p><b>John Veihmeyer</b> Americas Chairman</p> <p>Member of the Quality &amp; Risk Management Committee</p>	<p><b>Andrew Cranston</b> CIS</p> <p>Member of the Audit, Finance, and Investments Committee</p>
<p><b>Rolf Nonnenmacher</b> EMA Chairman</p> <p>Chair of the Quality &amp; Risk Management Committee and member of the Board Process and Evaluation Committee</p>	<p><b>Jesper Koefoed</b> Denmark</p> <p>Member of the Compensation and Nomination Committee</p>
<p><b>Hideyo Uchiyama</b> ASPAC Chairman</p> <p>Member of the Compensation and Nomination Committee</p>	<p><b>Jean-Luc Decornoy</b> France</p> <p>Chair of the Audit, Finance, and Investments Committee and member of the Board Process and Evaluation Committee</p>
<p><b>Moses Kgosana</b> Africa</p> <p>Member of the Governance Committee</p>	<p><b>Russell Parera</b> India</p> <p>Member of the Quality &amp; Risk Management Committee</p>
<p><b>Peter Nash</b> Australia</p> <p>Member of the Audit, Finance and Investments Committee</p>	<p><b>Terence O'Rourke</b> Ireland</p> <p>Member of the Governance Committee</p>
<p><b>Pedro Melo</b> Brazil</p> <p>Member of the Audit, Finance, and Investments Committee</p>	<p><b>Domenico Fumagalli</b> Italy</p> <p>Member of the Quality &amp; Risk Management Committee</p>
<p><b>William Thomas</b> Canada</p> <p>Chair of the Professional Indemnity Insurance Committee and member of the Board Process and Evaluation Committee</p>	<p><b>Young Gak (Ken) Yun</b> Republic of Korea</p> <p>Member of the Audit, Finance, and Investments Committee</p>

**Guillermo Garcia-Naranjo**

Mexico

Member of the Compensation and Nomination Committee

**Herman Dijkhuizen**

The Netherlands

Member of the Professional Indemnity Insurance Committee

**Sai Choy Tham**

Singapore

Member of the Quality & Risk Management Committee

**John Scott**

Spain

Chair of the Compensation and Nomination Committee and member of the Board Process and Evaluation Committee

**Helene Willberg**

Sweden

Member of the Audit, Finance, and Investments Committee

**Hubert Achermann**

Switzerland

Lead Director

Chair of the Governance Committee, chair of the Board Process and Evaluation Committee, and member of the Compensation and Nomination Committee

**John Griffith-Jones**

United Kingdom

Member of the Governance Committee



*Global Executive Team members as of October 1, 2011 are:*

<p><b>Michael Andrew</b> Chairman</p>	<p><b>Jean-Paul Thill</b> EMA Chief Executive Officer</p>
<p><b>Alan Buckle</b> Deputy Chairman</p>	<p><b>Yap Chee Meng</b> ASPAC Chief Operating Officer</p>
<p><b>John Veihmeyer</b> Americas Chairman</p>	<p><b>Peter Nash</b> Senior Partner – Australia</p>
<p><b>Rolf Nonnenmacher</b> EMA Chairman</p>	<p><b>William Thomas</b> Senior Partner – Canada</p>
<p><b>Hideyo Uchiyama</b> ASPAC Chairman</p>	<p><b>Stephen Yiu</b> Senior Partner – China</p>
<p><b>Joachim Schindler</b> Global Head of Audit</p>	<p><b>Jean-Luc Decornoy</b> Senior Partner – France</p>
<p><b>Greg Wiebe</b> Global Head of Tax</p>	<p><b>Terence O'Rourke</b> Senior Partner – Ireland</p>
<p><b>Mark Goodburn</b> Global Head of Advisory</p>	<p><b>Herman Dijkhuizen</b> Senior Partner – The Netherlands</p>
<p><b>Larry A. Leva</b> Global Vice Chair – Quality &amp; Risk Management</p>	<p><b>John Griffith-Jones</b> Senior Partner – United Kingdom</p>
<p><b>Rachel Campbell</b> Global Head of People, Performance, and Culture</p>	
<p><b>Brian M. Ambrose</b> Global Chief Operating Officer</p>	
<p><b>Shaun Kelly</b> Americas Chief Operating Officer</p>	

## A.3 KPMG's global values

### **We lead by example.**

At all levels we act in a way that exemplifies what we expect of each other and our clients.

### **We work together.**

We bring out the best in each other and create strong and successful working relationships.

### **We respect the individual.**

We respect people for who they are and for their knowledge, skills, and experience as individuals and team members.

### **We seek the facts and provide insight.**

By challenging assumptions and pursuing facts, we strengthen our reputation to provide insight as trusted and objective business advisers.

### **We are open and honest in our communication.**

We share information, insight, and advice frequently and constructively and manage tough situations with courage and candor.


### **We are committed to our communities.**

We act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities.

### **Above all, we act with integrity.**

We are constantly striving to uphold the highest professional standards, provide sound advice, and rigorously maintain our independence.

*KPMG's core values are at the heart of the global Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.*



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